

MEMORANDUM

To: Board of Regents
From: Board Office
Subject: Report of the Banking Committee
Date: November 6, 2000

Recommended Actions:

1. Approve the bond issuance schedule for calendar year 2001.
2. Accept the report of the Banking Committee.

Executive Summary:

The Banking Committee materials, which include a memorandum covering each item in detail, have been furnished to all Board members. During its meeting on November 15, 2000, the Banking Committee is scheduled to consider the approval of the minutes from the September 2000 Banking Committee meeting and the proposed bond issuance schedule for calendar year 2001. The Banking Committee is also scheduled to receive a report on the change in Wilshire Associates (the Board's investment advisor) representative, revenue bond fund audit reports of the University of Iowa for FY 2000, and internal audit reports.

Background:

Approve Minutes of the October 18, 2000, Banking Committee Meeting

The minutes of the meeting will be included with the materials for the Banking Committee meeting.

Proposed Bond Issuance Schedule – Calendar Year 2001

The Board is asked to adopt a bond issuance schedule for calendar year 2001. The Board adopted its current schedule, for calendar year 2000, at its November 1999 meeting. Development of a schedule is consistent with Action Step 4.3.3.3 of the Board's Strategic Plan, which provides for a review and recommended program for the use of self-liquidating revenue bonds to build enterprise facilities.

The proposed schedule for calendar year 2001 is only a planning guide. Approval of the schedule does not indicate that the Board Office has reviewed or recommended approval of all projects to be financed from the proposed sales or that the Board will approve the projects and the bond sale amounts. The proposed 2001 schedule totals \$71.0 million.

<u>Month</u>	<u>Institution/Type of Issue</u>	<u>Estimated Amount of Bond Issue</u>
Jan. 01	ISU Residence System	\$ 21,500,000 *
May 01	ISU Residence System	15,000,000 *
Sept. 01	SUI Recreation / Athletics	10,000,000
Oct. 01	SUI Utility System	10,000,000
Nov. 01	UNI Maucker Union	14,500,000
	Total	\$71,000,000

* The two issues will total \$36.5 million. The proposed amount for the January sale has yet to be determined. If this amount is lower than \$21.5 million, the May sale amount will have a corresponding increase.

The schedule has been reviewed and agreed to by the universities; Ahlers Law Firm, the Board's bond counsel; and Springsted, Inc, the Board's financial advisor. All proposed sales are new issues. In calendar year 2000, dormitory revenue bonds totaling \$39.6 million were included among the \$65.4 million in bonds sold.

Of the proposed FY 2001 sales totaling \$71.0 million, \$36.5 million would be dormitory revenue bonds for Iowa State University and \$14.5 million in bonds are proposed to be sold for the Maucker Union Renovation/Expansion at the University of Northern Iowa. The University of Iowa has proposed \$20 million in bond sales for the utility system and partial funding of phase 2 of the Recreation/Athletics Complex.

Change in Wilshire Associates Representative

The Board of Regents employs an investment advisor and money managers to guide its policy of active investment management. Wilshire Associates has been the investment advisor to the Board and Regent institutions since May 1996, with Michael Palmer being the principal consultant. With the resignation of Michael Palmer from Wilshire Associates in October, Wilshire Associates has named Mark Brubaker as the principal Wilshire representative for the Board of Regents and its institutions.

Mr. Brubaker will make a brief presentation at the November Banking Committee to introduce himself and to discuss the changes at Wilshire and the implications for the Board and its institutions. Mr. Brubaker has been with Wilshire Associates since 1997. He earned a B.A. in Economics from Yale University and a M.S. in Industrial Administration with a concentration in finance from Carnegie Mellon University. He works out of Wilshire Associates Pittsburgh office.

Revenue Bond Fund Audit Reports (SUI)

Independent auditors conducted nine revenue bond fund audits at the University of Iowa for the fiscal year ended June 30, 2000, as required by the bond covenants.

The revenue bond fund audit reports indicated that the financial statements of each of the revenue bond funds were presented fairly in all material respects. No findings were reported.

Internal Audit Reports

Completed institutional internal audit reports are presented to the Banking Committee as required by Board policy. The Board Office monitors the progress of the institutions' follow-up. When corrective action has been satisfactorily completed, the audits are closed.

Four completed internal audit reports from the University of Iowa internal auditors, one follow-up report from Iowa State University, and one follow-up memorandum from the University of Iowa are scheduled to be presented to the Banking Committee. The reports indicate that corrective action to the recommendations made by the internal auditors is being taken or has already been completed in a satisfactory manner.

The *Status of Internal Audit Follow-Up* table identifies 31 internal audit reports that have previously been presented to the Banking Committee of which 29 still require follow-up. Internal auditors at the University of Iowa and Iowa State University each closed one audit.


Pamela M. Elliott

Approved: 
Frank J. Stork